Pekat Group (PEKAT MK)

Bright Prospects Amid Record Orderbook

	BUY (Maintained)
Share Price	RM1.55
Target Price	RM2.00
Upside	29.0%

Highlights

- Pekat's 60%-owned EPE Switchgear boasts an outstanding orderbook of RM359m. We expect this to provide healthy revenue visibility over 2026-27, with annual tender opportunities estimated at RM500m–600m.
- Together with robust EPCC works, Pekat's current orderbook stands at a record RM843m. This underpins our three-year earnings CAGR of 20%. The group's prospects remain bright.
- Maintain BUY with a target price of RM2.00, based on 25x PER and 2026 EPS of 8.0 sen.

Analysis

- **Robust orderbook underpins three-year earnings CAGR of 20%.** In Jan 26, Tenaga Nasional Berhad (TNB) awarded a RM113.3m switchgear supply contract to EPE Switchgear, a 60% subsidiary of Pekat Group (Pekat). This brings Pekat's power distribution equipment (PDE) division orderbook to RM359m (from RM240m a year ago). This will underpin strong earnings visibility over 2026-27. We also expect the PDE division to deliver a favourable net margin of around 10% (vs the group's average net margin of 7-9%). Management previously indicated that annual tender opportunities from TNB for medium-voltage switchgear are estimated at RM500m-600m.
- **C&I solar plus BESS to drive orderbook replenishment.** Following the introduction of Solar Accelerated Transition Action Programme (ATAP) in Jan 26, Pekat expects commercial and industrial (C&I) engineering, procurement, construction and commissioning (EPCC) orders to accelerate in 2H26 as non-domestic consumers gain greater clarity on available schemes (Solar ATAP: ≤1MWac; SELCO: >1MWac). This is further supported by: a) C&I customers aiming to minimise maximum demand charges through peak shaving, and b) an attractive payback period of five years. Current C&I orderbook stands at RM94m, and we expect this to double in 2H26. We project the combined C&I solar and BESS EPCC orderbook to remain above RM100m in 2H26, with an estimated turnover of 6-8 months.
- **Record orderbook of RM843m.** The combined orderbook of the solar, power distribution equipment (EPE Switchgear), and ELP divisions currently stands at a record RM842.5m. The group reiterated bright prospects for 2026, highlighting: a) strong earnings visibility and a burgeoning orderbook in the solar division, b) a healthy data centre pipeline for the ELP segment, c) elevated revenue contribution from switchgear project delivery, and d) elevated EPCC jobs from LSS6 and C&I projects under Solar ATAP as well as off-grid projects in Sabah and Sarawak under Budget 2026.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	287.0	609.9	684.3	802.0	879.8
EBITDA	38.9	82.0	145.0	160.2	185.6
Operating profit	36.5	74.1	89.6	104.4	122.1
Net profit (rep./act.)	22.0	45.0	54.2	64.2	77.3
Net profit (adj.)	22.0	44.9	54.2	64.2	77.3
EPS	3.4	6.3	7.6	9.1	10.9
PE	45.4	24.5	20.3	17.1	14.2
P/B	5.1	3.2	2.2	1.6	1.3
EV/EBITDA	30.1	14.8	7.7	6.1	4.6
Dividend yield	0.0	0.6	0.6	0.6	0.6
Net margin	7.7	7.4	7.9	8.0	8.8
Net debt/(cash) to equity	19.2	20.5	(7.2)	(25.9)	(36.3)
Interest cover	40.6	15.3	12.4	15.7	21.8
ROE	11.3	13.0	10.8	9.6	9.1
Consensus net profit	-	-	56.4	64.0	72.7
UOBKH/Consensus (x)	-	-	1.0	1.0	1.1

Source: Pekat, Bloomberg, UOB Kay Hian

Analyst(s)
Chong Lee Len
leelen@uobkayhian.com
(603) 2147 1992
Hifzhan Raziq
hifzhanraziq@uobkayhian.com
(603) 2147 1949

Stock Data

GICS Sector	Industrials
Bloomberg ticker	PEKAT MK
Shares issued (m)	706.3
Market cap (RMm)	1,096.0
Market cap (US$m)	277.1
3-mth avg daily t'over (US$m)	0.5

Price Performance (%)

52-week high/low				RM1.90/RM1.06
1mth	3mth	6mth	1yr	YTD
22.0	(5.5)	(16.7)	38.4	(1.9)

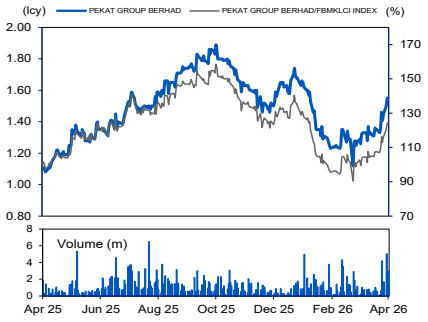
Major Shareholders

	%
Chin Soo Mau	31.8
Tai Yee Chee	8.0
Wee Chek Aik	6.8

Balance Sheet Metrics

FY26F NAV/Share (RM)	0.70
FY26F Net Debt/Share (RM	0.10

Price Chart



Source: Bloomberg

Company Description

An established solar PV and earthing & lightning protection solutions provider based in Malaysia.

- **Sufficient inventory to buffer against elevated module prices.** With solar module prices expected to hover around US$0.12-0.125/W for 1H26, the group has sufficient inventory for existing and upcoming solar EPCC projects up to Jun 26. We believe Pekat can manage the cost pressure from elevated solar module prices, given its ability to pass on the cost to customers, with C&I and residential customers expected to see payback period increasing by not more than a year (C&I: 4-5 years; residential: 6-8 years).

Valuation/Recommendation

- **Maintain BUY with a target price of RM2.00.** We peg our fair value to 25x 2026F PE (+1SD from mean PE) and 2026 EPS of 8.0 sen, considering bright prospects for Pekat with a commendable three-year (2025-28) earnings CAGR of 20%. Importantly, we expect Pekat to demonstrate the capability to pull away from competition with its strong execution track record, well-diversified revenue drivers and stellar cost management.

Earnings Revision/Risk

- No changes to earnings.

Share Price Catalyst/Risk

- **Active capital management and mainboard listing.** We expect Pekat to continue distributing 1 sen/share net DPS for 2026 (marginal yield of 1%), underscoring its commitment towards active capital management. Management aims for a sustainable annual dividend payout in 2026-28, subject to any extraordinary expenditures relating to M&A activities. Pekat's planned mainboard listing in 2Q26 is expected to broaden its appeal to a wider investor base.
- **Actively exploring M&A options.** Pekat's management has highlighted its ongoing strategy of exploring potential M&A deals within the wider power equipment industry (transformer business), district cooling solutions as well as solar asset ownership. This strategy is part of the group's long-term direction of generating recurring revenue streams, on top of its existing business model, which are primarily contract-based. As at Feb 26, Pekat has ownership pipeline (including associates) over approximately 100MW of solar assets, consisting of both utility-scale solar farms (Corporate Green Power Programme and self-consumption schemes) and rooftop solar, with power purchase agreement ranging between 15-21 years.

Environmental, Social, Governance (ESG) Updates

Environmental

- Pekat installed solar PV systems with a cumulative capacity of 203.2MWp for its customers in 2024, resulting in an impressive estimated reduction of 199,319 tonnes of carbon dioxide emissions.

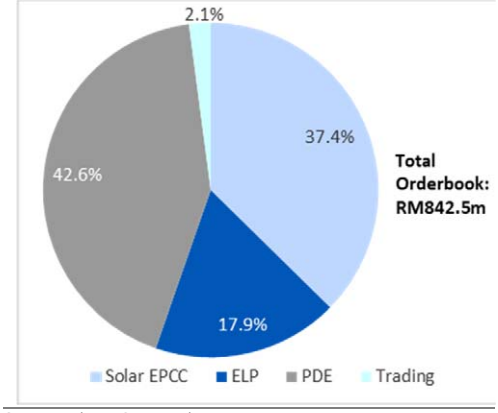
Social

- Pekat is dedicated to advancing workforce diversity and equity. As at end-24, Pekat employed 309 individuals from various backgrounds, with male staff making up 69% of the company's total workforce and female staff making up the remaining 31%.
- Pekat provided a total contribution of RM30,000 in financial aid and non-financial resources to NGOs, educational institutions, and children's welfare homes in 2024.

Governance

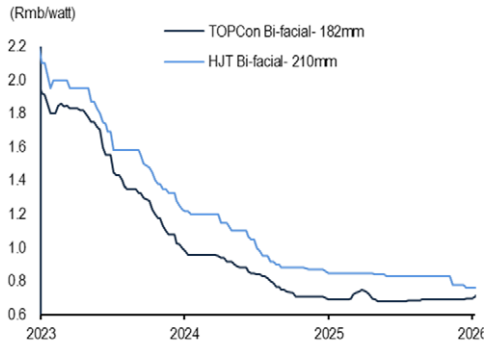
- The board comprises six members consisting of four Independent Directors and two Non-Independent Directors including GCEO. Meanwhile, women comprise 33% (two directors) of the board.

Current Orderbook



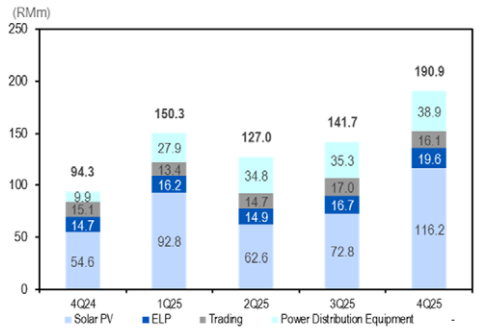
Source: Pekat, UOB Kay Hian

Solar Module Prices



Source: Infolink, UOB Kay Hian

Quarterly Revenue Breakdown



Source: Pekat, UOB Kay Hian

PE Band

Source: Pekat, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	609.9	684.3	802.0	879.8
EBITDA	82.0	145.0	160.2	185.6
Deprec. & amort.	(7.9)	(55.4)	(55.8)	(63.6)
EBIT	74.1	89.6	104.4	122.1
Associate contributions	1.0	1.5	1.7	1.8
Net interest income/(expense)	(4.8)	(7.2)	(6.7)	(5.6)
Pre-tax profit	70.3	83.9	99.4	118.3
Tax	(19.3)	(23.0)	(27.3)	(32.4)
Minorities	(5.9)	(6.7)	(7.9)	(8.6)
Net profit	45.0	54.2	64.2	77.3
Net profit (adj.)	44.9	54.2	64.2	77.3

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	167.1	199.4	209.9	236.0
Other LT assets	58.1	58.4	59.6	61.3
Cash/ST investment	90.4	169.1	284.6	403.3
Other current assets	399.0	421.7	477.3	507.7
Total assets	714.5	848.5	1,031.5	1,208.3
ST debt	40.4	33.4	28.2	24.3
Other current liabilities	192.4	198.5	237.2	250.9
LT debt	120.4	99.6	84.0	72.3
Other LT liabilities	17.0	17.0	16.2	16.2
Shareholders' equity	344.3	499.5	665.8	845.9
Minority interest	49.2	57.2	0.0	0.0
Total liabilities & equity	714.5	848.0	1,031.5	1,208.3

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	42.7	105.4	116.1	136.5
Pre-tax profit	70.3	83.9	99.4	118.3
Tax	(19.6)	(23.0)	(27.3)	(32.4)
Deprec. & amort.	7.9	55.4	55.8	63.6
Associates	(1.0)	(1.5)	(1.7)	(1.8)
Working capital changes	(22.6)	(16.5)	(16.9)	(16.7)
Non-cash items	7.8	7.2	6.7	5.6
Investing	(159.5)	(43.6)	(66.0)	(89.5)
Capex (growth)	(97.1)	(43.6)	(66.0)	(89.5)
Investments	(62.4)	0.0	0.0	0.0
Financing	170.1	57.8	65.4	71.7
Dividend payments	(7.7)	(7.1)	(7.1)	(7.1)
Issue of shares	102.3	0.0	0.0	0.0
Proceeds from borrowings	82.0	72.2	79.2	84.4
Others/interest paid	(6.6)	(7.2)	(6.7)	(5.6)
Net cash inflow (outflow)	53.3	119.7	115.5	118.7
Beginning cash & cash equivalent	34.3	87.6	166.3	281.8
Changes due to forex impact	0.0	41.0	0.0	0.0
Ending cash & cash equivalent	87.6	166.3	281.8	400.6

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.4	21.2	20.0	21.1
Pre-tax margin	11.5	12.3	12.4	13.4
Net margin	7.4	7.9	8.0	8.8
ROA	13.0	10.8	9.6	9.1
ROE	6.3	6.4	6.2	6.4
Growth				
Turnover	112.5	12.2	17.2	9.7
EBITDA	103.1	20.9	16.5	17.0
Pre-tax profit	102.2	19.4	18.5	19.0
Net profit	104.7	20.3	18.5	20.4
Net profit (adj.)	103.9	20.7	18.5	20.4
EPS	103.9	20.7	18.5	20.4
Leverage				
Debt to total capital	0.3	0.2	0.1	0.1
Debt to equity	46.7	26.6	16.8	11.4
Net debt/(cash) to equity	20.5	(7.2)	(25.9)	(36.3)
Interest cover (x)	15.3	12.4	15.7	21.8

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link: https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."